

**AGENDA****ASSEMBLY BUDGET SUBCOMMITTEE NO. 3 ON  
CLIMATE CRISIS, RESOURCES, ENERGY, AND TRANSPORTATION****ASSEMBLYMEMBER RICHARD BLOOM, CHAIR****WEDNESDAY, FEBRUARY 17, 2021  
9:30 A.M. – STATE CAPITOL, ROOM 437**

*Due to the regional stay-at-home order and guidance on physical distancing, seating for this hearing will be very limited for press and for the public. All are encouraged to watch the hearing from its live stream on the Assembly's website at <https://www.assembly.ca.gov/todaysevents>.*

*We encourage the public to provide written testimony before the hearing. Please send your written testimony to: [BudgetSub3@asm.ca.gov](mailto:BudgetSub3@asm.ca.gov). Please note that any written testimony submitted to the committee is considered public comment and may be read into the record or reprinted.*

*A moderated telephone line will be available to assist with public participation. The public may provide comment by calling the following toll-free number: **877-692-8957, access code: 131 54 37***

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## NON-PRESENTATION ITEMS

### 3790 DEPARTMENT OF PARKS AND RECREATION

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#### ISSUE 1: LOCAL ASSISTANCE: OFF-HIGHWAY VEHICLE TRUST FUND

The Governor's budget requests \$29,000,000 one-time from the Off-Highway Vehicle Trust Fund for local assistance grants. The OHV local assistance program supports the planning, acquisition, development, maintenance, administration, operation, enforcement, restoration, and conservation of trails, trailheads, areas and other facilities associated with the use of off-highway motor vehicles and programs involving off-highway motor vehicle safety or education.

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**Staff Recommendation: Absent member questions or input from the public at this hearing, Staff recommends this item be considered for a vote-only calendar when the Committee takes action.**

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#### ISSUE 2: NATIVE AMERICAN CULTURAL PRESERVATION (AB 275)

The Governor's budget requests \$770,000 ongoing General Fund and five positions to comply with the requirements of AB 275 (Ramos, Chapter 167, Statutes of 2020). AB 275 requires the Department to submit inventory of Native American human remains or cultural artifacts in their possession to the California Native American Heritage Commission. The five positions will provide tribal consultation, identification of artifacts, research, identification and maintenance of confidential geographical locations for reinternment of items within the state park system.

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**Staff Recommendation: Absent member questions or input from the public at this hearing, Staff recommends this item be considered for a vote-only calendar when the Committee takes action.**

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#### ISSUE 3: WOOLSEY WILDFIRE REPAIR-PHASE II

The Governor's budget requests \$10,000,000 General Fund one-time and \$23,350,000 in reimbursement authority for Phase II continuation of the Woolsey Fire rebuild project. Federal Emergency Management Agency funding will be the source of the reimbursements for this proposal.

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**Staff Recommendation: Absent member questions or input from the public at this hearing, Staff recommends this item be considered for a vote-only calendar when the Committee takes action.**

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**3720 CALIFORNIA COASTAL COMMISSION**

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**ISSUE 4: ESSENTIAL ACCOUNTING, BUSINESS SERVICES, AND OPERATIONAL RESOURCES**

The Governor's budget requests \$1,067,000, from the Coastal Act Services Fund (CASF) annually for three years. This includes an extension of \$787,000 for previously authorized funding to support operational costs and continuation of a previously approved position and \$280,000 for two new positions that will address expanding workload in the Accounting Unit and the Fiscal & Business Services Unit. The 2017 budget included two-year limited term resources for operational costs and two personnel for workload functions. The funding was limited-term due to uncertainty within the CASF condition at that time. The 2019 budget extended these resources another two years, expiring at the end of the 2020-21 fiscal year. This request is for the extension of the existing funding level for three additional years and does not include future projected cost increases.

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**Staff Recommendation: Absent member questions or input from the public at this hearing, Staff recommends this item be considered for a vote-only calendar when the Committee takes action.**

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**3760 STATE COASTAL CONSERVANCY**

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**ISSUE 5: APPROPRIATION FROM THE VIOLATION REMEDIATION ACCOUNT**

The Governor's budget requests an annual appropriation of \$1,500,000 from the Violation Remediation Account, a subaccount of the State Conservancy Fund, to fund coastal resource enhancements and public access projects statewide. Funds would be appropriated for local assistance and capital outlay. Funds are requested to be available for encumbrance through June 30, 2024 and for expenditure through June 30, 2026.

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**Staff Recommendation: Absent member questions or input from the public at this hearing, Staff recommends this item be considered for a vote-only calendar when the Committee takes action.**

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**ISSUE 6: INCREASE TO LOCAL ASSISTANCE BLANKET FEDERAL TRUST FUND AUTHORITY**

The Governor's budget requests a \$2,000,000 increase to the blanket Federal Trust Fund authority, increasing from \$8,000,000 to \$10,000,000. The increase is needed in order to accommodate the federal grants that the State Coastal Conservancy will be receiving over the next several years.

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**Staff Recommendation: Absent member questions or input from the public at this hearing, Staff recommends this item be considered for a vote-only calendar when the Committee takes action.**

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## 3125 CALIFORNIA TAHOE CONSERVANCY

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### ISSUE 7: CONCEPTUAL FEASIBILITY PLANNING

The Governor's budget requests \$500,000 in Proposition 84 funds for conceptual and feasibility planning for future watershed improvements and forest health and fuels reduction capital outlay projects. This will provide a blanket of funds needed for Initial conceptual and feasibility planning for existing and future projects. The Conservancy was established in 1984 for the purposes of protecting and restoring Lake Tahoe's natural environment, including water quality, air quality, and wildlife habitat; acquiring, restoring, and managing lands; preserving the scenic beauty and recreational opportunities of the region; and providing public access.

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**Staff Recommendation: Absent member questions or input from the public at this hearing, Staff recommends this item be considered for a vote-only calendar when the Committee takes action.**

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### ISSUE 8: MINOR CAPITAL OUTLAY

The Governor's budget requests \$850,000 (\$4,000 in Prop 84 funds, \$450,000 in Habitat Conservation Funds, \$246,000 in Prop 40 funds, and \$150,000 in Prop 50 funds) for various minor capital outlay projects. These projects involve stabilizing and improving previously acquired property, including reducing forest fuels, ensuring public safety and completing upgrades on developed facilities to meet Americans with Disability Act compliance.

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**Staff Recommendation: Absent member questions or input from the public at this hearing, Staff recommends this item be considered for a vote-only calendar when the Committee takes action.**

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## ITEMS TO BE HEARD

### 3790 DEPARTMENT OF PARKS AND RECREATION

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#### ISSUE 1: FISCAL STABILITY FOR BOATING PROGRAMS

The Governor's budget proposes various adjustments to the Harbors and Watercraft Revolving Fund to stabilize the fund. Specifically, this request includes:

- An ongoing baseline reduction of \$1,962,000 to state operations.
- An ongoing baseline reduction of \$11,987,000 to local assistance funding.
- A \$10,000,000 General Fund transfer annually for two years.
- Trailer bill language to implement a vessel registration and renewal fee increase to \$35 per year.

#### PANEL

The following individuals will participate virtually in the discussion of this issue:

- Will Schaafsma, Deputy Director of Administrative Services, California Department of Parks and Recreation
- Mike McGinness, Principal Program Budget Analyst, Department of Finance
- Rachel Ehlers, Principal Fiscal & Policy Analyst, Legislative Analyst's Office
- Brian Brown, Deputy Legislative Analyst, Legislative Analyst's Office (Q&A)
- Liz McGuirk, Chief Deputy Director, California Department of Parks and Recreation (Q&A)
- Ramona Fernandez, Acting Deputy Director, California Department of Parks and Recreation (Q&A)

#### BACKGROUND

**Structural deficit within the Harbors and Watercraft Revolving Fund.** The Harbors and Watercraft Revolving Fund (HWRF) is the primary fund source for boating programs. The fund is sustained by vessel registration fees and motor vehicle fuel tax revenues attributable to boating. The vessel registration fee was \$5 until 2005 when it was raised to its current level of \$10 per year. Revenues into the fund has remained relatively constant while expenditures from the fund have increased, especially in the last 10 years. The increasing cost pressures include legislative expansion of programs and increasing employee compensation costs. Without additional revenue sources to keep pace with the increased expenditures, the fund has a \$54,000,000 structural deficit.

**Proposal to resolve the deficit.** The Governor's budget proposes a realignment of revenue and expenditures in the fund. A \$20 million General Fund transfer over two years is also proposed to help relieve the fund pressures while changes to stabilize the fund are being implemented. The reductions include:

**Reduction to state operations.** The proposal includes reducing state operations by \$1,962,000 by maintaining a 5 percent vacancy rate and making various program adjustments to the aquatic invasive species (AIS) program. The Department of Boating and Waterways (DBW) does not expect impact to the AIS program because there is reimbursement available from the Department of Water Resources that could help offset expenditures in the Delta that overlap with DBW. Further, this adjustment reflects historical levels of expenditure and capture savings that normally revert. This reduction is in addition to the 5 percent operating expenses and equipment reduction that will be implemented per the Administration's direction for the Department and other departments that utilize the HWRP.

**Reduction to local assistance.** The proposal includes reducing the local assistance appropriation for four programs, totaling a baseline reduction of \$17.99 million. Each of the local assistance program reductions are:

- Suspending the Public and Private Marina Loan Program - \$5.5 million reduction.
  - According to Parks, there has been minimal interest in the program for the last several years.
- Reducing the Quagga and Zebra Mussel Infestation Grants Program - \$750,000 reduction.
  - According to Parks, the program does not grant its full allocation historically and this reduction would better align the program to historical expenditure levels.
- Suspending the Public Beach Restoration Grant Program- \$6 million reduction.
  - According to parks, this program provides beach replenishment grants, which funds 50 percent of total eligible project costs. Options for agencies moving forward would be for them to seek funding assistance elsewhere, delay the project until funding becomes available or cancel potential projects.
- Reducing the Boat Launching Facility Grants - \$5.74 million reduction.
  - According to Parks, this reduction is based on the average funding level of grant awards from the previous five years. The funding level after the reduction is sufficient to meet the local assistance need at this time.

**Increase to vessel registration fee.** The proposal includes increasing the vessel registration fee to \$35. The current vessel registration fee is \$10 per year and has not been increased since 2005. In order to meet proposed appropriation levels by the DBW and other state agencies, an increase to the vessel registration fee is necessary. The current fee of \$10 per year combined with other revenue sources yields approximately \$70,000,000 over a two-year period. At proposed appropriation levels, it is necessary to increase the vessel registration fee to \$35 per year (\$70 biennially). At \$35 per year, vessel registration revenues will increase by an average of approximately \$22,000,000. In order to facilitate the vessel registration increase, the DBW proposes that DMV retain the existing fee structure and implement a flat fee increase to raise the vessel registration fee. DMV is also decoupling the quagga zebra fee from vessel registration based on an interpretation of federal requirements that prompted a recent regulation change at the

Department. This will require work by DMV staff to update their system and will cost the Department approximately \$3,250,000. The boating fee increase is a simple majority vote.

#### LAO COMMENTS

The LAO recommends an approach that: (1) addresses the problem in the budget year; (2) includes both revenue increases and expenditure reductions; (3) raises registration fees that have been stagnant for over 15 years and not kept pace with program costs; (4) minimizes programmatic impacts on existing activities; and, (5) puts the fund on a path towards long-term stability. The Governor’s proposal meets most of these criteria and therefore is a reasonable starting point, however it does not provide a permanent solution to the fund’s structural problems. As such, the LAO recommends the Legislature consider adopting additional solutions to address the remaining shortfall—even if it opts to have those solutions trigger on in future years when needed.

**Legislature May Want to Consider Adopting Permanent Solution.** In lieu of approving the Governor’s proposed short-term solution and needing to revisit the HWRF shortfall—and fee increases—again in a few years, the Legislature may want to consider instead adopting an approach that would permanently address the HWRF imbalance. Two options that would accomplish this goal include:

- **Design and Implement Ongoing Solution Beginning in 2021-22.** The Legislature could adopt expenditure reductions and an alternative fee increase that would raise additional revenue to bring the HWRF into sustainability on an ongoing basis beginning in 2021-22. This would negate the need for both short-term General Fund augmentations and revisiting the fees in a few years. However, designing such an approach will be somewhat complicated— particularly if the Legislature opts to restructure the current fee and apply charges to other entities—and could be difficult to accomplish over the next few months before the budget must be enacted.
- **Adopt Governor’s Proposal With a “Trigger.”** Another approach would be to adopt (1) the Governor’s proposal to address the structural deficit over the next few years and (2) trailer bill legislation for additional fee increases—and potentially also expenditure reductions—that would trigger on in 2024-25 when the fund is projected to become insolvent. This would ensure that a longer-term solution is in place while also providing additional time for the Department and stakeholders to work on an alternative proposal. This is similar to the Governor’s proposal in that it would necessitate limited-term General Fund appropriations and two different changes to registration fees. The comparative advantage of this approach, however, is that it ensures that a permanent solution is in place should the Department’s efforts to develop a good alternative—or the Legislature’s desire to take another action on a subsequent fee increase—prove infeasible.

#### STAFF COMMENTS

The level of the proposed fee increase would not permanently solve the imbalance of the fund. However, it will provide sufficient stability to avoid a negative fund balance for the next several years and allow the Department time to work with stakeholders on exploring long-term revenue

strategies. Given this two-step approach, the Subcommittee may wish to ask the Department about their long-term plan to resolve this fund imbalance and what are the benefits and drawbacks associated with having to raise fees twice.

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**Staff Recommendation: Hold Open.**

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**ISSUE 2: COMMUNITY ENGAGEMENT / RELEVANCY AND HISTORY PROGRAM**

The Governor's budget requests \$585,000 ongoing from the State Parks and Recreation Fund and four positions beginning in 2021-22 to institutionalize the Community Outreach Program and California Relevancy and History Interpretation Program.

**PANEL**

The following individuals will participate virtually in the discussion of this issue:

- Jim Newland, Environmental Program Manager, Innovations Unit, California Department of Parks and Recreation
- Mike McGinness, Principal Program Budget Analyst, Department of Finance
- Rachel Ehlers, Principal Fiscal & Policy Analyst, Legislative Analyst's Office
- Brian Brown, Deputy Legislative Analyst, Legislative Analyst's Office (Q&A)
- Liz McGuirk, Chief Deputy Director, California Department of Parks and Recreation (Q&A)
- Will Schaafsma, Deputy Director of Administrative Services, California Department of Parks and Recreation (Q&A)

**BACKGROUND**

**Parks Forward Commission recommends increasing access and engagement.** The California State Parks Stewardship Act and AB 1478 led to the formation of the Parks Forward Commission. One of the Commission's recommendations was to expand park access for California's underserved communities and urban populations, as well as to better engage California's younger generations. The Transformation Team - which is tasked with implementing the Commission's recommendations - formed a Relevancy Committee that focuses on enhancing and developing outreach services to underserved communities.

**Prior funding for the Community Engagement and Relevancy Programs.** The Budget Act of 2016 provided three positions and \$690,000 annually for a two years to establish the Community Outreach and California History Interpretation pilot programs in order to engage underserved and underrepresented communities. The Budget Act of 2018 included \$519,000 one-time for Parks to continue these efforts.

**The Community Outreach Pilot Program.** Through the Community Engagement program, the Department engaged underserved and underrepresented communities at two of the largest urban population centers in the state (Candlestick Point State Recreation Area and Los Angeles State Historic Park).

**The California Relevancy and History Interpretation Pilot Program.** Through the California History Interpretation Pilot Program, the Department established a collaborative partnership with the University of California at Riverside and University of California at Santa Barbara to transform interpretation and education within the State Park System. The partnerships developed approaches to make state parks more accessible and connected with a broader, and more diverse, public, while focused on engaging multi-perspective and inclusive historical

interpretation. The ultimate goal is to develop a program framework that can be taken to scale throughout the State Park System.

**STAFF COMMENTS**

Over the last several years, though various budget allocations and legislative measures, the Legislature has signaled its desire to explore opportunities to increase park access to disadvantaged and underserved communities. The efforts in this proposal are in line with those goals. Approving this request would allow Parks to make the community outreach programs and interpretative programming permanent.

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**Staff Recommendation: Absent member questions or input from the public at this hearing, Staff recommends this item be considered for a vote-only calendar when the Committee takes action.**

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**ISSUE 3: VARIOUS CAPITAL OUTLAY PROJECTS**

The Governor's budget includes five capital outlay projects at the Department of Parks and Recreation totaling \$20.43 million General Fund in 2021-22 and a total estimated cost of \$68.76 million for all the projects.

**PANEL**

The following individuals will participate virtually in the discussion of this issue:

- Brian Dewey, Chief of Facilities and Development Division, California Department of Parks and Recreation
- Mike McGinness, Principal Program Budget Analyst, Department of Finance
- Rachel Ehlers, Principal Fiscal & Policy Analyst, Legislative Analyst's Office
- Brian Brown, Deputy Legislative Analyst, Legislative Analyst's Office (Q&A)

**BACKGROUND**

**California's park system.** California State Parks represents the most diverse natural and cultural heritage holdings of any land management agency in California. The largest in the United States, California's park system consist of over 260 park units, 280 miles of coastline, 625 miles of lake and river frontage, nearly 18,000 campsites, 3,000 miles of hiking, biking and equestrian trails, and 450 miles of off-highway vehicle trails on nearly 1.3 million acres. Historical units included missions, forts, the gold discovery site at Coloma, Hearst San Simeon, Jack London's home, Bidwell Mansion and many other sites.

These lands support a stunning array of the state's landscape provinces, environmentally sensitive habitat areas, threatened species, ancient Native American sites and historic facilities. With almost twenty-five percent of California's magnificent coastline under its care, California State Parks manages the state's finest coastal wetlands, estuaries, and dune systems.

**The proposals.** The chart below details the estimated costs and details for each capital outlay project:

PROPOSAL	2021-22 GF Cost (millions)	Total Project Cost	PROPOSAL SUMMARY
Statewide: SP System Acquisition Program	12.6	12.6	The Governor's budget requests \$6,300,000 General Fund and \$6,300,000 in reimbursement authority for opportunity and inholding land acquisitions throughout the state. This new project will provide funds for State Parks and the Department of General Services to conduct property evaluations and complete due diligence prior to Parks requesting acquisition approval. These funds will also be used to acquire approved real property in-holdings, parcels adjacent to

			or near an existing unit in the State Park System, or parcels available through tax default. This will enable Parks to rapidly acquire high-priority parcels throughout the State and eliminate potential and existing management problems, and leverage matching federal funds.
Candlestick Point SRA: Initial Build-Out of Park	2.6	50	The Governor's budget requests \$2,660,000 in Proposition 68 funds for the Preliminary Plans phase of the Candlestick Point State Recreation Area: Initial Build-Out of Park project in San Francisco County. This new project will allow for the design and construction of the initial build-out of the park unit to provide core improvements, public access, and recreation enhancements. Total project costs are estimated at \$50,000,000 (\$10,000,000 Proposition 68 per Public Resources Code section 80070 and \$40,000,000 State Park Contingent Fund).
Oceano Dunes SVRA: Grand Avenue Lifeguard Tower	1.03	1.26	The Governor's budget requests \$1,026,000 from the Off-Highway Vehicle Trust Fund for construction and equipment to develop a lifeguard tower headquarters at Oceano Dunes State Vehicular Recreation Area. The project would provide a full time, permanent observation tower throughout the year. The tower would provide preventative and responsive aquatic public safety response, medical and first aid to park visitors, an information center for visitors, an office location for lifeguards to perform administrative functions, and would satisfy mandatory training functions and activities required of the classification. This is a continuing COBCP.
Ocotillo Wells SVRA: Auto Shop Addition	1.5	1.7	The Governor's budget requests \$1,495,000 from the Off-Highway Vehicle Trust fund for the construction phase of the auto shop addition project located at Ocotillo Wells State Vehicular Recreation Area. This project will expand the existing auto shop repair facilities by constructing an additional and larger repair bay and storage space immediately adjacent to the existing building to accommodate items in the current fleet. Currently, Ocotillo Wells SVRA staff conduct maintenance and repairs to vehicles outdoors, unsheltered in the extreme weather conditions found at this desert park.

Prairie City SVRA: Initial Erosion Control	2.7	3.2	The Governor's budget requests \$2,667,000 from the Off-Highway Vehicle Trust Fund for the construction phase of the Prairie City State Vehicular Recreation Area: Initial Erosion Control project to address erosion issues caused by storm water runoff at parks, as required by the Federal Clean Water Act. Work will include the installation of sediment basins, storm water spray fields, drainage crossings, and riparian areas. In addition, there will be drainage control measures including culverts, diversion ditches and swales. The project will meet Best Management Practices for storm water management pursuant to the Federal Clean Water Act. A comprehensive Watershed Assessment Study, performed through a separate effort, will be used as a detailed guide in implementing this project.
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**STAFF COMMENTS**

Many of these are continuing phases of existing capital outlay projects. Staff does not have any concerns.

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**Staff Recommendation: Absent member questions or input from the public at this hearing, Staff recommends this item be considered for a vote-only calendar when the Committee takes action.**

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**ISSUE 4: FIRE PREVENTION: WILDFIRE RISK: DEFENSIBLE SPACE: EMBER-RESISTANT ZONES (AB 3074)**

The Governor's budget requests \$2,000,000 ongoing General Fund, seven positions, and seven vehicles to comply with the requirements of AB 3074 (Friedman, Chapter 256, Statutes 2020).

**PANEL**

The following individuals will participate virtually in the discussion of this issue:

- Jay Chamberlin, Chief of Natural Resources Division, California Department of Parks and Recreation
- Mike McGinness, Principal Program Budget Analyst, Department of Finance Rachel Ehlers, Principal Fiscal & Policy Analyst, Legislative Analyst's Office
- Brian Brown, Deputy Legislative Analyst, Legislative Analyst's Office (Q&A)
- Liz McGuirk, Chief Deputy Director, California Department of Parks and Recreation (Q&A)
- Will Schaafsma, Deputy Director of Administrative Services, California Department of Parks and Recreation (Q&A)

**BACKGROUND**

**Wildfire impacts on the state park system.** Wildfires in the past year burned over 4 million acres in the state of California. Of that, an excess of 105,000 acres spanning 21 state parks have burned. Affected areas within the Department include forests and wildlands, historic structures, visitor facilities, and employee housing.

**AB 3074 (Friedman).** Existing law requires property owners to maintain a 100-foot defensible space perimeter around dwellings and structures. AB 3074 enhances that requirement by further requiring an ember-resistant zone within five feet of a structure as part of the defensible space requirements for structures located in specified high fire hazard areas. AB 3074 also requires removal of material from the ember-resistant zone based on the probability that vegetation and fuel will lead to ignition of the structure by ember.

**Wildfire management and defensible space work at Parks.** The Department has developed internal policies on fire management, wildfire management planning, vegetation management, and fuel modification. These policies include training, reporting, pre-fire planning, fuel management activities, public safety measures, fire control support, post-fire evaluation, and rehabilitation.

Currently, Parks carries out a limited amount of structural protection and defensible space work in any given year. This work is performed on a priority basis by district facilities maintenance, natural and cultural resources staff, as funding and other resources become available. Funding for these efforts must compete with other priorities supported by the Department's on-going maintenance funds. CalFire does not currently inspect Parks property for compliance with defensible space requirements.

**STAFF COMMENTS**

According to the Department, the requested resources would be used to implement the new boundary fuel modification and defensible space requirements in the 1.6 million acre state park system. The Department also indicates that this request is the first phase of an effort to right-size a broader fire resilience effort for parks and its 1,800-plus structures, including employee housing, across its far-flung system.

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**Staff Recommendation: Hold Open.**

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**3820 SAN FRANCISCO BAY CONSERVATION AND DEVELOPMENT COMMISSION**

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**ISSUE 5: CONTINUATION OF ENFORCEMENT SUPPORT STAFFING**

The Governor's budget requests an extension of \$511,000 Bay Fill Cleanup and Abatement Fund annually for three years to continue supporting BCDCs enforcement program. This proposal includes trailer bill language to clarify that enforcement activities are an eligible use of the Bay Fill Cleanup and Abatement Fund.

**PANEL**

The following individuals will participate virtually in the discussion of this issue:

- Miriam Kaplan, Finance Budget Analyst, Department of Finance
- Sergio Aguilar, Principal Program Budget Analyst, Department of Finance
- Larry Goldzband, Executive Director, San Francisco Bay Conservation and Development Commission
- Rachel Ehlers, Principal Fiscal & Policy Analyst, Legislative Analyst's Office
- Brian Brown, Deputy Legislative Analyst, Legislative Analyst's Office (Q&A)
- Steve Goldbeck, Chief Deputy Director, San Francisco Bay Conservation and Development Commission (Q&A)

**BACKGROUND**

**San Francisco Bay Conservation Development Commission (SFBCDC).** SFBCDC, created in 1965, is a planning and regulatory agency responsible for managing the protection and use of the San Francisco Bay and its shoreline, and the Suisun Marsh. Its mission is to protect the San Francisco Bay from excessive fill, maximize public access to the shoreline, and prepare for the impacts associated with a rising bay level.

**SFBCDC's enforcement duties.** The Commission is responsible for enforcing state laws related to its mandate and the permits it grants within its jurisdiction. To this end, the Commission has adopted regulations that allow staff to resolve many violations through a standardized fines process. The Commission's enforcement unit consists of three staff members who investigate allegations related to unauthorized Bay fill or construction, obstruction or misuse of public access amenities, and other permit or statutory violations. To resolve certain violations, enforcement staff may issue new permits or amend existing permits. Staff may also fine violators who do not correct violations within a grace period, with the amount of the fine increasing over time until the violator corrects the problem or the fine reaches the \$30,000 maximum for individual violations.

**Enforcement backlog and enforcement woes.** The Budget Act of 2018 provided SFBCDC with additional limited-term resources to support improvements in SFBCDC's enforcement program and to address their substantial backlog of enforcement cases. At that time, SFBCDC had an enforcement backlog of 230 cases. In addition to the massive backlog of cases, there

were complaints over the inconsistent application of enforcement standards, instances of moving the goal posts, lack of proper record keeping and strident tactics by SFBCDC staff.

**2019 Audit Report.** The California State Auditor conducted an audit of SFBCDC. In a report released in 2019, the Auditor identified issues with SFBCDC's ability to meet its enforcement responsibilities. The report revealed that enforcement case delays can last more than a decade. Of the 230 backlogged cases, 30 are at least ten years old and 80 are between five and ten years old. The report estimates that, in an average year, the Commission adds 14 new cases to the backlog and catching up would take 20 years. The report further found that the Commission is inconsistent with enforcement and that "some minor violations may result in penalties that are too high to be reasonable," and the Commission is in essence penalizing major and minor violations equally.

#### STAFF COMMENTS

The 2019 California State Auditor's report identified a suite of issues limiting SFBCDC's ability to protect the Bay. These issues include a growing backlog of enforcement cases, failure to conduct site visits or actively protect its jurisdiction. The audit further concluded that these concerns are collectively the result of the Commission's lack of a coherent enforcement process and insufficient guidance from the commissioners.

The report included recommendations that SFBCDC revitalize its enforcement efforts. One such recommendation was for the Legislature to clarify that the intended use of the Bay Fill Cleanup and Abatement Fund is for the physical cleanup of the Bay, rather than enforcement staff salaries.

In response to the findings and recommendations of the audit, Assemblymember Mullin introduced AB 2809 in 2020. Among other things, the bill would prohibit the use of the Bay Fill Cleanup and Abatement Fund for enforcement staff salaries. That provision was deleted as the bill passed through the Appropriations Committee in order to reduce the cost of the measure.

This proposal and trailer bill language directly undercuts Assemblymember Mullin's efforts and the Auditor's recommendation.

The Subcommittee may wish to ask the Administration to explain its insistence upon using the Bay Fill Cleanup and Abatement Fund in this way and their intent to continue to do so given the trailer bill language.

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**Staff Recommendation: Hold Open.**

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**3480 DEPARTMENT OF CONSERVATION**

**ISSUE 6: CONTINUATION OF FUNDING FOR REGULATORY FIELD INSPECTION**

The Governor’s budget requests a baseline funding increase of \$3.932 million Oil, Gas, and Geothermal Administrative Fund in order to sustain increased inspection and enforcement to protect public health and safety, assess and mitigate the risk of urban encroachment on oil and gas fields, and work with local agencies to assist with the protection of water resources.

**PANEL**

The following individuals will participate virtually in the discussion of this issue:

- David Shabazian, Director, Department of Conservation
- Clayton Haas, Acting Chief Deputy Director, Department of Conservation
- Molly Maguire, Finance Budget Analyst, Department of Finance
- Eunice Roh, Fiscal & Policy Analyst, Legislative Analyst’s Office
- Brian Brown, Deputy Legislative Analyst, Legislative Analyst’s Office (Q&A)
- Uduak-Joe Ntuk, State Oil & Gas Supervisor, Department of Conservation (Q&A)
- Stephen Benson, Principal Program Budget Analyst, Department of Finance (Q&A)

**BACKGROUND**

**California Geologic Energy Management Division (CalGEM).** California is one of the largest oil producers in the nation. CalGEM regulates these oil extraction operations and administers laws for the conservation of petroleum and geothermal resources. One of CalGEM’s missions is to prevent damage to life, health, property, and natural resources by ensuring that wells are properly drilled, operated for production and injection purposes, repaired, and plugged and abandoned. CalGEM is also mandated to collect production and injection data, well histories and summaries, and all surveys and logs run on wells.

**Increasing number of “critical” wells.** There are over 70,000 active production and injections wells and approximately 35,000 idle production and injection wells in California. If a well is within a certain distance from a building intended for human occupancy, the well is deemed "critical," and, as such, must be appropriately managed. Many wells that were not deemed critical when they were drilled are now being considered critical due to urban encroachment.

District	Well Count	% Critical	# Critical	% of Critical Wells in the State
Southern	32,751	82%	26,856	50%
Inland	94,788	16%	15,166	28%
Coastal	25,069	28%	7,019	13%
Northern	10,979	43%	4,721	9%

Currently, field engineering resources are unable to witness 100 percent of operations mandated by statute, regulation and/or agreements with other agencies as “Shall Witness.” The remainder of operations designated as “May Witness” include those with sufficient risk, especially when they are deemed critical wells that merit witness rates of, or approaching, 100 percent.

**Resources provided in 2018 for CalGEM to improve field operations.** The Budget Act of 2018 included 21 positions and three-year limited-term funding to boost field inspection and enforcement activities. The resources were provided on a limited-term basis because the amount of annual inspection workload was uncertain at the time. The uncertainty was due to the fact that CalGEM did not track the number of unobserved critical “May Witness” operations and testing activities and the variability in workload due to market conditions and other factors. By approving funding for the positions for three years, the Department would need to report back to the Legislature on its progress towards improving its oversight of oil and natural gas field operations and whether ongoing resources were needed at the same level.

**STAFF COMMENTS**

This proposal seeks ongoing funding for the 21 positions provided to CalGEM in 2018. Although CalGEM has increased the total number of operations witnessed with the added staff, CalGEM anticipates a continued increase in demands for field witnessing and field inspections as a result of legislative and regulatory changes.

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**Staff Recommendation: Hold Open.**

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**ISSUE 7: CALGEM OVERSIGHT**

The Governor's budget requests 26 positions and a baseline increase of \$4.826 million Oil, Gas, and Geothermal Administrative Fund, phased in over three years (12 positions and \$2.369 million in 2021-22, 22 positions and \$4.061 million in 2022-23, and 26 positions and \$4.826 million in 2023-24 and ongoing) to strengthen enforcement of existing laws and regulations, limit the state's liability, and improve public transparency.

**PANEL**

The following individuals will participate virtually in the discussion of this issue:

- David Shabazian, Director, Department of Conservation
- Clayton Haas, Acting Chief Deputy Director, Department of Conservation
- Molly Maguire, Finance Budget Analyst, Department of Finance
- Eunice Roh, Fiscal & Policy Analyst, Legislative Analyst's Office
- Brian Brown, Deputy Legislative Analyst, Legislative Analyst's Office (Q&A)
- Uduak-Joe Ntuk, State Oil & Gas Supervisor, Department of Conservation (Q&A)
- Stephen Benson, Principal Program Budget Analyst, Department of Finance (Q&A)

**BACKGROUND**

**California Geologic Energy Management Division (CalGEM).** CalGEM supervises oil and gas operations, administers laws for the conservation of petroleum and resources to ensure the safe development and recovery of energy resources. CalGEM regulates onshore and offshore field operations by evaluating permit applications to drill, rework, and plug and abandon wells, and by providing permit conditions to prevent damage to state resources and protect oil field workers and surrounding communities. CalGEM also advises local governments when new development is planned over, near, or adjacent to historic oil field operations.

**Additional resources included for CalGem oversight in the Budget Act of 2020.** Last year, CalGEM requested a total of 128 positions over three fiscal years, with an increase of 53 positions scheduled for 2020-21. However, the proposal was withdrawn due to the economic downturn resulting from the COVID-19 pandemic. Ultimately, the Administration and the Legislature agreed on 25 positions for 2020-21 as a first-year alternative, with no increases agreed to for the second and third years. CalGEM has filled four of the 25 positions and posted job bulletins for all other positions. CalGEM anticipates having the majority of these positions filled by mid-March.

**LAO COMMENTS**

**Approve Proposal, but Require the Department to Report on Performance.** The LAO recommends the Legislature approve the budget request to meet the increased workload associated with regulatory changes. The LAO finds that these resources are justified on a workload basis and are consistent with recent statutory requirements. However, since the amount of field and oversight workload could vary depending on several factors, the LAO

recommends that the Legislature adopt supplemental reporting language that requires the Department to provide an update on the division's performance in several areas of operations by January 1, 2025, after full implementation of this proposal.

The LAO supports its position with the following points:

- **Increased Staffing for Various Programs.** The administration proposes to add \$2.4 million in 2021 22 (growing to \$4.8 million upon full implementation in 2023 24) from the Oil, Gas, and Geothermal Administrative Fund for the California Geologic Energy Management's (CalGEM) regulatory oversight and enforcement, increased public transparency, and implementation of legislation. This funding would support 12 positions in 2021 22, growing to 26 positions upon full implementation.
- **Proposal Addresses Growing Workload Associated With Regulatory Changes.** The resources requested in the administration's proposal are reasonable based on the existing backlog of field inspections, gap between enforcement action and capacity, and volume of information and data requests from the public. In addition, recent legislation has increased oversight requirements, which has increased the division's workload.
- **Division's Workload Could Vary Due to a Number of Factors.** CalGEM's annual field and oversight workload is somewhat uncertain and can change over time for a number of reasons. Factors that can affect the division's annual workload include market factors, geography of production, complexity of reviews, and uncertainty related to implementing new programs.

**STAFF COMMENTS**

The proposal before us represents many of the same positions requested for in the prior year proposal. The proposed 26 positions would be for activities related to private oil companies, including increasing CalGEM's field presence to perform regulatory inspections, enhancing CalGEM's regulatory programs, meeting legislative mandates, such as ensuring there is adequate financial coverage for idle and orphaned wells, and improving transparency.

The requested positions would help CalGEM meet its regulatory requirement and increase oversight/enforcement in order to decrease the state's financial liability as a result of abandoned wells.

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**Staff Recommendation: Hold Open.**

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**ISSUE 8: MULTI-BENEFIT 3D GEOLOGIC FRAMEWORK MAPPING**

The Governor's budget requests four positions and three-year limited term funding of \$3 million (\$1 million per year) Strong-Motion Instrumentation and Seismic Hazards Mapping Fund in order to develop Multi-Benefit three-dimensional geologic framework mapping.

**PANEL**

The following individuals will participate virtually in the discussion of this issue:

- David Shabazian, Director, Department of Conservation
- Clayton Haas, Acting Chief Deputy Director, Department of Conservation
- Molly Maguire, Finance Budget Analyst, Department of Finance
- Eunice Roh, Fiscal & Policy Analyst, Legislative Analyst's Office
- Brian Brown, Deputy Legislative Analyst, Legislative Analyst's Office (Q&A)
- Stephen Benson, Principal Program Budget Analyst, Department of Finance (Q&A)
- Steve Bohlen, Acting State Geologist, Department of Conservation (Q&A)

**BACKGROUND**

**California Geological Survey.** The California Geological Survey (CGS) is one of the oldest geological surveys in the United States, serving as a primary source of geologic information for California's government agencies, businesses, and public. The CGS maps and analyzes data about the state's diverse geologic settings and features, earthquakes, other geologic hazards and mineral resources to better care for life, property, commerce, and the natural environment. The California Geological Survey provides mapping products that address environmental and engineering management decisions for the entire state and has produced thousands of maps since its creation in 1860.

**The Geologic Mapping Program.** Operated by the CGS, the Geologic Mapping Program was established to prepare and maintain a baseline source of the most current information on the framework geology of California. Basic geologic mapping is the foundation for any comprehensive study undertaken to evaluate earth science related societal and environmental issues. The Geologic Mapping Program works in cooperation with the U.S. Geological Survey. Geologic mapping priorities are established under the direction of the State Geologist and the California Geologic Mapping Advisory Committee.

CGS geologists map and compile geologic maps of the state and its offshore continental margin at various scales. Currently CGS addresses surface conditions and characteristics but not the three-dimensional setting. CGS's work to date addresses the immediate issues relating to surface geology but does little on the long-term impacts for latent emergent hazards deep underground, timescales of ground water recharge and contamination potential, and future development minimizing risks to life and property.

**Multi-Benefit three-dimensional (3D) geologic framework mapping.** 3D mapping can assess the surface rocks, rock types, characteristics and orientations, vegetation, soil types, slope as

well as the three-dimensional structure of the rocks and rock characteristics. According to the Department, this insight and understanding can help inform a variety of critical state issues such as groundwater recharge, assessment of ideal formations for carbon storage, and wildfire impacts and emergency management.

#### STAFF COMMENTS

According to the Department, the emergence of climate change necessitates the expansion of the Geologic Mapping Program to address societal needs such as clean air, clean water and to help the state reach carbon neutrality by 2045. The proposed 3D mapping would improve the state's capabilities for future evaluation of carbon sequestration, sustainable groundwater management, seismic hazard mitigation, and mineral resource evaluations.

While this technology can certainly be helpful in a variety of state initiatives, this Subcommittee is in receipt of concerns over the potential misuse of this information. Given that carbon sequestration is one of the stated goals of this proposal, advocates are concerned that this effort would be used to advance enhanced oil recovery under the guise of carbon capture storage, since the injection of CO<sub>2</sub> into the ground is also used to pump out more crude oil.

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**Staff Recommendation: Hold Open.**

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